

**Bienville Parish Tax Agency Fund  
of the Bienville Parish School Board  
Arcadia, Louisiana**

**Financial Statements  
as of and for the Year Ended June 30, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

**JAN 25 2012**

**Bienville Parish Tax Agency Fund  
of the Bienville Parish School Board**

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**Bienville Parish Tax Agency Fund  
of the Bienville Parish School Board**

**Statement of Fiduciary Assets and Liabilities  
June 30, 2011**

**Assets**

Cash	\$ 1,039,505
Accounts receivable - sales tax vendors	1,713,821
Restricted cash	<u>333,883</u>
<b>Total assets</b>	<b>\$ <u>3,087,209</u></b>

**Liabilities**

Deposits due to others	\$ 2,748,116
Accounts payable	<u>339,093</u>
<b>Total liabilities</b>	<b>\$ <u>3,087,209</u></b>

The notes to the financial statement are an integral part of this statement.

**Bienville Parish Tax Agency Fund  
of the Bienville Parish School Board**

**Notes to the Financial Statement  
June 30, 2011**

**Note 1      Summary of Significant Accounting Policies**

The Bienville Parish Tax Agency Fund (Tax Agency) has been formed under joint agreement of the Bienville Parish School Board (School Board), the Bienville Parish Police Jury, the City of Arcadia, the Town of Gibsland, the Town of Ringgold and the Village of Castor for the collection of sales, use taxes and other fees, in accordance with Louisiana Revised Statutes 33:2844. The Bienville Parish Tax Agency charges the joint governments a collection fee of 1.5% of total collections to cover operating costs for Bienville Parish Tax Agency Fund of the Bienville Parish School Board.

**Reporting Entity** - For financial reporting purposes, in conformance with GASB Statement No. 14, the Bienville Parish Tax Agency Fund is an agency fund of the Bienville Parish School Board. Accordingly, the accompanying financial statement presents only the accounts of the tax agency fund and is not intended to present fairly the financial position and results of operations of the Bienville Parish School Board in conformity with accounting principles generally accepted in the United States of America. The Bienville Parish Tax Agency is included as part of the financial statements of the Bienville Parish School Board.

**Fund Accounts** - A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures.

Funds are classified into one category, fiduciary. The category, in turn, is divided into separate "fund types." Fiduciary funds are used to account for assets held for others. The Tax Agency requires the use of fiduciary funds as described below:

**Fiduciary Fund** - The Bienville Parish Tax Agency Fund is used to account for the collection and distribution of sales and use taxes imposed by the various taxing authorities within the parish. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**Basis of Accounting** - The basis of accounting for an agency fund is the accrual basis. The measurement focus is custodial, since the fund is not involved with the performance of governmental services. An agency fund has no revenue or expenditures and therefore there is no fund balance or need to measure the results of operations for a period.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2      Deposits**

At June 30, 2011, the Tax Agency had cash and cash equivalents (book balances) totaling \$1,373,388. Included in this amount \$333,883 is restricted assets. See Note 6.

Deposits are stated at cost, which approximates fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

**Custodial Credit Risk – Deposits** - The bank balance was \$1,376,081. In the case of deposits, this is the risk that in the event of a bank failure, the Tax Agency deposits may not be returned to it. The bank balance was exposed to custodial credit risk because it was uninsured and collateralized with security held by the pledging financial institutions trust department or agent but not in the Tax Agency name. Even though the pledge securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposed a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Tax Agency the fiscal agent has failed to pay deposited funds upon request.

### **Note 3 Deposits due to Others**

A summary of changes in deposits due to others for the year ended June 30, 2010, is as follows:

Beginning Balance	\$ 4,145,237
Additions	
Sales Tax Collections	19,384,420
Deductions:	
Taxes distributed to others:	
Bienville Parish School Board	6,177,360
Bienville Parish School Board Special	6,178,244
Bienville Parish Police Jury	6,177,347
Town of Arcadia	1,414,776
Town of Gibsland	74,674
Town of Ringgold	692,492
Village of Castor	68,648
Total deductions	<u>20,781,541</u>
Ending Balance	\$ <u>2,748,116</u>

### **Note 4 Accounts Receivable**

The balance in accounts receivable represents sales tax collections in July 2011 for June 2011 sales. No allowance for doubtful accounts has been established as the Tax Agency collected these balances in full.

### **Note 5 Commitments and Contingencies**

At June 30, 2011, the Bienville Parish Tax Agency was involved in litigation over \$285,112 in taxes paid under protest. The vendor alleges that no use tax is due because the equipment that was used in the Parish had been acquired by the vendor outside the Parish through nontaxable isolated or occasional sales transactions. It is the opinion of legal counsel for the Tax Agency that ultimate resolution of this lawsuit is uncertain and research is ongoing. If the Tax Agency wins, the taxes paid under protest plus statutory interest will be retained by the Tax Agency. If the Tax Agency loses, the taxes paid under protest plus statutory interest will be refunded to the vendor. There is another case involving the same situation with a different vendor that is not currently in litigation. Legal counsel feels the case will go in favor of the Tax Agency since a settlement offer has been made to the Tax Agency and negotiations are underway. The Tax Agency is also in a third sales tax dispute with several vendors. The vendors are currently being audited.

### **Note 6 Taxes Paid Under Protest**

There is currently \$333,883 in taxes paid under protest attributed to five different vendors, included interest accrued, recorded in accounts payable. Interest totaling \$5,592 has been earned since the taxes were placed in escrow. One vendor protesting the taxes is currently in litigation. The remaining four vendors have protested sales and use tax charges on compression services. The cases for the four have been

turned over to the District Attorney, but are not currently under litigation. Taxes paid under protest are being held in a separate bank account pending the outcome of the cases.

**Note 7      Subsequent Events**

Management of the Bienville Parish Tax Agency Fund has evaluated subsequent events through December 16, 2011, the date which financial statements were issued, concluding there were no events requiring disclosure

**ROBERTS, CHERRY AND COMPANY**  
*Certified Public Accountants, Consultants*

**Independent Auditor's Report**

Board of Directors  
Bienville Parish Tax Agency Fund  
of the Bienville Parish School Board  
Arcadia, Louisiana

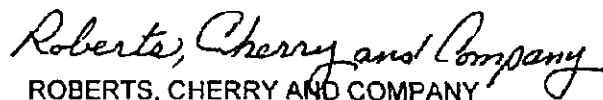
We have audited the accompanying financial statement of the Bienville Parish Tax Agency Fund of the Bienville Parish School Board as of and for the year ended June 30, 2011, as listed in the table of contents. This financial statement is the responsibility of the Bienville Parish School Board's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bienville Parish Tax Agency Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statement presents only the Bienville Parish Tax Agency Fund and does not purport to, and does not, present fairly the financial position of the Bienville Parish School Board, as of June 30, 2011, and the changes in its financial position for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective financial position of the Bienville Parish Tax Agency Fund of the Bienville Parish School Board as of June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated December 16, 2011, on our consideration of the Bienville Parish Tax Agency Fund internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
ROBERTS, CHERRY AND COMPANY

A Corporation of Certified Public Accountants  
Shreveport, Louisiana  
December 16, 2011

**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed  
in Accordance With Government Auditing Standards**

Board Members  
Bienville Parish Tax Agency Fund  
of the Bienville Parish School Board  
Arcadia, Louisiana

We have audited the financial statement of the Bienville Parish Tax Agency Fund of the Bienville Parish School Board as of and for the year ended June 30, 2011, and have issued our report thereon dated December 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As discussed in Note 1 to the financial statement, the financial statement of the Bienville Parish Tax Agency Fund is intended to present only the assets and liabilities of the Bienville Parish School Board that is attributable to the transactions of the Bienville Parish Tax Agency Fund.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Bienville Parish Tax Agency Fund of the Bienville Parish School Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Bienville Parish Tax Agency Fund of the Bienville Parish School Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bienville Parish Tax Agency Fund of the Bienville Parish School Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2011-1 to be a material weakness.

*A significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Bienville Parish Tax Agency Fund of the Bienville Parish School Board's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Bienville Parish School Board, management, others within the entity, Bienville Parish Police Jury, the Town of Arcadia, the Town of Ringgold, the Town of Gibsland, and the Village of Castor, and is not intended to be and should not be used by anyone other than these specified parties. Although its intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

*Roberts, Cherry and Company*  
ROBERTS, CHERRY AND COMPANY

A Corporation of Certified Public Accountants  
Shreveport, Louisiana  
December 16, 2011

**Blenville Parish Tax Agency Fund  
of the Blenville Parish School Board**

**Schedule of Findings and Responses  
June 30, 2011**

**2011-1 Untraceable Adjustments**

**Criteria or Specific Requirement:** Effective internal controls should provide an audit trail for any adjustments or deletions that are made in the system. Any adjustments to the vendor delinquent accounts should be made only after proper authorization and an audit trail should exist to confirm the authorization process.

**Type of Finding:** Material weakness

**Condition:** We noted that there is not an adequate review process over file maintenance changes or adjustments of delinquent status of vendors. There is no audit trail of maintenance changes to vendor accounts that can be reviewed to ensure that any changes are proper.

**Effect:** Internal controls over review of file maintenance changes and adjustments are ineffective.

**Cause:** Computer software does not allow an audit trail of these adjustments.

**Recommendation:** We recommend the Blenville Parish School Board assign responsibility for the business manager to approve all vendor maintenance changes and we recommend that the Blenville Parish School Board request the software vendor for an acceptable upgrade to enable an audit trail of all adjustments made.

**Management's Corrective Action Plan:** The software vendor can not provide enough memory on the server to produce a trail of all vendor maintenance changes as well as a trail of all delinquent status removals. We will discuss other options with vendor to resolve these issues.

**Bienville Parish Tax Agency Fund  
of the Bienville Parish School Board**

**Summary Schedule of Prior Year Findings  
June 30, 2011**

**2010-2 Unauthorized Access to Sales Tax Module (year of origination – 2010)**

**Condition -** We noted several Bienville Parish School Board employees had access to the sales tax module and had the ability to make file maintenance changes.

**Current status -** Corrective action was taken to resolve this finding.

**09-F3 Untraceable Adjustments (year of origination - 2008)**

**Condition -** Once a batch of collections is entered, a report is printed which shows all debit and credit memos created by the system. Each debit or credit memo is assigned a unique number to identify the memo. Once the report is printed the sales tax clerk reviews the report and deletes any debit memos which were issued by the system but are not applicable due to a timing difference because the postmark date might indicate that the sales tax remittance was mailed by the deadline but was not received until after the deadline of the 20<sup>th</sup> of the month. These deletions are not approved or authorized by a supervisor. A new report is printed after the deletions listing the debit/credit memos to be mailed to vendors. Once deletions of these memos are made, the system no longer stores the information. The sales tax clerk does not keep any of the reports printed either before or after the deletions are made. There is no listing maintained for the year which contains all of the debit and credit memos issued by the sales tax agency; therefore adjustments could not be reviewed in the audit process.

**Current status –** Unresolved, see current year finding 2011-1.